

The influence of the use of corporate information by financial analysts on their forecast accuracy (2004)

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Abstract

Financial analysts are considered to be the most important users of corporate information. Moreover, they have a significant influence on the capital market by means of their recommendations to investors. However, previous researches documented differences in the accuracy of analysts' forecasts, attributable to numerous determinants. One of them is the amount and the nature of information used by financial analysts. However, prior research on this topic is rare. Therefore, we elaborate the existing literature by examining the relationship between information use and forecast accuracy for a sample of Belgian financial analysts. More specifically, we concentrate on the use of non-financial information because this information is becoming more important relative to financial information in the evaluation of firms' performance. Our results demonstrate that the quantity of the non-financial information used by financial analysts is insignificantly related to forecast accuracy. So as financial analysts are using more corporate non-financial information, their forecast accuracy is not affected. We also examined whether the use of annual report information, respectively the use of non-annual report information influence forecast accuracy. However, these relationships also seem to be insignificant

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